



Mohokare Local Municipality
Annual Financial Statements
for the year ended 30 June 2017

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Mayoral committee

Executive Mayor

Councillors

I Mehloimakulu

TS Khasake

TD Mochechepa

L Lekhula

BM Valashiya

CI Phatsoane

MI Morapela

M Lephuthing

IS Riddle

LJ Lipholo

BJ Lobi

Grading of local authority

Grade 2

Accounting Officer

LV Nqoko-Rametse

Registered office

Civic Centre

Hoofd Street

Zastron

9950

Postal address

PO Box 20

Zastron

9950

Bankers

ABSA Bank

Auditors

External - Auditor General of South Africa

Internal - Thobeca Macala

Attorneys

Ndumiso Voyi Attorneys

Contact Details

Telephone: 051 - 673 9600

Facsimile: 051 - 673 1550

E-mail: info@mohokare.gov.za

Website: <http://www.mohokare.gov.za>

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Index	Page
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 9
Appropriation Statement	10 - 13
Accounting Policies	14 - 38
Notes to the Annual Financial Statements	39 - 81
Appendixes:	
Appendix A: Schedule of External loans	82
Appendix B: Analysis of Property, Plant and Equipment	83
Appendix C: Segmental analysis of Property, Plant and Equipment	89
Appendix D: Segmental Statement of Financial Performance	90
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	91
Appendix E(2): Budget Analysis of Capital Expenditure	92
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	93

Abbreviations

DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
COGTA	Department of Co-operative Governance and Traditional Affairs

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on pages 4 to 81, which have been prepared on the going concern basis, were approved by the on 31 August 2017 and were signed on its behalf by:

LV Nqoko-Rametse
Acting Municipal Manager

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	4	646,536	763,127
Receivables from exchange transactions	5	5,349,512	4,147,920
Receivables from non-exchange transactions	6	5,807,803	8,907,279
VAT receivable	7	12,268,243	13,807,508
Cash and cash equivalents	8	31,616,363	6,328,876
		55,688,457	33,954,710
Non-Current Assets			
Biological assets that form part of an agricultural activity	9	379,905	268,180
Investment property	10	22,176,665	22,176,665
Property, plant and equipment	11	527,023,170	517,529,801
Other financial assets	12	340,979	351,628
		549,920,719	540,326,274
Total Assets		605,609,176	574,280,984
Liabilities			
Current Liabilities			
Other financial liabilities	13	194,111	175,254
Finance lease obligation	14	94,953	200,844
Consumer Deposits	15	818,351	814,120
Payables from exchange transactions	16	82,745,559	80,761,942
Employee benefit obligation	17	515,100	507,200
Unspent conditional grants and receipts	18	32,151,931	5,243,911
Bank overdraft	8	12,119,853	-
		128,639,858	87,703,271
Non-Current Liabilities			
Other financial liabilities	13	27,698,075	25,046,799
Finance lease obligation	14	429,983	-
Employee benefit obligation	17	5,321,900	5,361,300
Provisions	19	9,622,855	8,656,024
		43,072,813	39,064,123
Total Liabilities		171,712,671	126,767,394
Net Assets		433,896,505	447,513,590
Accumulated surplus	20	433,896,505	447,513,590

* See Note 2 & 43

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	67,166,301	49,638,258
Rental of facilities and equipment	22	736,212	1,071,800
Licences and permits		1,557	2,168
Other income	23	349,405	636,834
Sale of Blesbok		9,649	-
Interest received - investment	24	1,616,514	8,381,680
Dividends received	24	9,505	9,955
Total revenue from exchange transactions		69,889,143	59,740,695
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	10,421,646	6,902,912
Transfer revenue			
Government grants & subsidies	26	103,877,920	141,376,458
Public contributions and donations	27	3,645,893	4,009,457
Fines, Penalties and Forfeits		20,832,591	12,194,485
Total revenue from non-exchange transactions		138,778,050	164,483,312
Total revenue		208,667,193	224,224,007
Expenditure			
Employee related costs	28	(60,772,980)	(58,693,305)
Remuneration of councillors	29	(3,406,365)	(3,412,176)
Administration		(120,831)	(175,361)
Depreciation and amortisation	30	(26,996,562)	(26,821,187)
Impairment loss/ Reversal of impairments	31	(3,137,116)	(136,115)
Finance costs	32	(7,016,677)	(9,129,556)
Lease rentals on operating lease		(170,697)	(1,167,040)
Debt Impairment	33	(66,074,769)	(36,340,468)
Repairs and maintenance		(3,991,399)	(3,329,518)
Bulk purchases	34	(25,111,920)	(24,198,425)
Contracted services	35	(5,312,107)	(2,640,595)
Transfers and Subsidies	36	(2,700)	-
Decommissioning Costs		-	(394,514)
General Expenses	37	(19,692,260)	(22,439,120)
Total expenditure		(221,806,383)	(188,877,380)
Operating (deficit) surplus		(13,139,190)	35,346,627
Loss on disposal of assets and liabilities		(1,166,020)	(1,381,886)
Fair value adjustments		(10,648)	19,193
Actuarial gains/losses	17	576,500	380,000
Gain on biological assets and agricultural produce		111,725	23,720
		(488,443)	(958,973)
(Deficit) surplus for the year		(13,627,633)	34,387,654

* See Note 2 & 43

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2015	413,125,936	413,125,936
Changes in net assets		
Surplus for the year	34,387,654	34,387,654
Total changes	34,387,654	34,387,654
Restated* Balance at 01 July 2016	447,524,138	447,524,138
Changes in net assets		
Surplus for the year	(13,627,633)	(13,627,633)
Total changes	(13,627,633)	(13,627,633)
Balance at 30 June 2017	433,896,505	433,896,505

* See Note 2 & 43

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		112,994,498	130,499,271
Interest income		1,184,389	524,724
Dividends received		9,505	9,955
		<u>114,188,392</u>	<u>131,033,950</u>
Payments			
Cash paid to suppliers and employees		(60,335,644)	(53,211,194)
Finance costs		(134,211)	(148,625)
		<u>(60,469,855)</u>	<u>(53,359,819)</u>
Net cash flows from operating activities	38	<u>53,718,537</u>	<u>77,674,131</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	<u>(40,694,741)</u>	<u>(71,796,711)</u>
Cash flows from financing activities			
Finance lease payments		<u>143,838</u>	<u>(493,667)</u>
Net increase/(decrease) in cash and cash equivalents		13,167,634	5,383,753
Cash and cash equivalents at the beginning of the year		6,328,876	945,123
Cash and cash equivalents at the end of the year	8	<u>19,496,510</u>	<u>6,328,876</u>

* See Note 2 & 43

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	810,908	-	810,908	646,536	(164,372)	Note 53- A1
Receivables from exchange transactions	47,959,564	-	47,959,564	5,349,512	(42,610,052)	A2
Receivables from non-exchange transactions	19,906,467	-	19,906,467	5,807,803	(14,098,664)	A3
VAT receivable	16,079,214	-	16,079,214	12,268,243	(3,810,971)	A4
Cash and cash equivalents	1,001,829	-	1,001,829	31,616,363	30,614,534	A5
	85,757,982	-	85,757,982	55,688,457	(30,069,525)	
Non-Current Assets						
Biological assets that form part of an agricultural activity	256,500	-	256,500	379,905	123,405	A6
Investment property	22,176,665	-	22,176,665	22,176,665	-	
Property, plant and equipment	498,350,274	-	498,350,274	527,023,170	28,672,896	A7
Other financial assets	365,864	-	365,864	340,979	(24,885)	
	521,149,303	-	521,149,303	549,920,719	28,771,416	
Total Assets	606,907,285	-	606,907,285	605,609,176	(1,298,109)	
Liabilities						
Current Liabilities						
Other financial liabilities	220,000	-	220,000	194,111	(25,889)	
Finance lease obligation	222,803	-	222,803	94,953	(127,850)	
Consumer Deposits	553,034	-	553,034	818,351	265,317	A8
Payables from exchange transactions	51,230,764	-	51,230,764	82,745,560	31,514,796	A9
Employee benefit obligation	-	-	-	515,100	515,100	A10
Unspent conditional grants and receipts	-	-	-	32,151,931	32,151,931	A11
Bank overdraft	5,000,000	-	5,000,000	12,119,853	7,119,853	A12
	57,226,601	-	57,226,601	128,639,859	71,413,258	
Non-Current Liabilities						
Other financial liabilities	25,044,807	-	25,044,807	27,698,074	2,653,267	A13
Finance lease obligation	-	-	-	429,983	429,983	
Employee benefit obligation	-	-	-	5,321,900	5,321,900	A10
Provisions	8,656,024	-	8,656,024	9,622,855	966,831	A14
	33,700,831	-	33,700,831	43,072,812	9,371,981	
Total Liabilities	90,927,432	-	90,927,432	171,712,671	80,785,239	
Net Assets	515,979,853	-	515,979,853	433,896,505	(82,083,348)	

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	515,979,853	-	515,979,853	433,896,505	(82,083,348)	

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Property rates - N1	7,032,990	43,566	7,076,556	-		7,076,556	10,421,646		3,345,090	147 %	148 %
Service charges - N1	58,244,133	-	58,244,133	-		58,244,133	67,166,301		8,922,168	115 %	115 %
Investment revenue - N2	6,207,429	356,500	6,563,929	-		6,563,929	1,616,514		(4,947,415)	25 %	26 %
Transfers recognised - operational	57,297,000	-	57,297,000	-		57,297,000	57,297,000		-	100 %	100 %
Other own revenue - N3	21,228,813	(7,978)	21,220,835	-		21,220,835	26,273,037		5,052,202	124 %	124 %
Total revenue (excluding capital transfers and contributions)	150,010,365	392,088	150,402,453	-		150,402,453	162,774,498		12,372,045	108 %	109 %
Employee costs	(60,873,540)	(1,441,661)	(62,315,201)	-	-	(62,315,201)	(60,772,980)	-	1,542,221	98 %	100 %
Remuneration of councillors	(3,850,261)	24,506	(3,825,755)	-	-	(3,825,755)	(3,406,365)	-	419,390	89 %	88 %
Debt impairment - N4	(14,699,763)	-	(14,699,763)			(14,699,763)	(66,074,769)	51,450,099	(51,375,006)	449 %	449 %
Depreciation and asset impairment	(29,848,543)	-	(29,848,543)			(29,848,543)	(30,133,678)	285,135	(285,135)	101 %	101 %
Finance charges - N5	(2,212,200)	(84,995)	(2,297,195)	-	-	(2,297,195)	(7,016,677)	4,719,482	(4,719,482)	305 %	317 %
Materials and bulk purchases - N6	(22,208,256)	-	(22,208,256)	-	-	(22,208,256)	(25,111,920)	2,903,664	(2,903,664)	113 %	113 %
Transfers and grants	-	-	-	-	-	-	(2,700)	2,700	(2,700)	DIV/0 %	DIV/0 %
Other expenditure - N7	(33,539,342)	(4,880,476)	(38,419,818)	-	-	(38,419,818)	(30,463,962)	-	7,955,856	79 %	91 %
Total expenditure	(167,231,905)	(6,382,626)	(173,614,531)	-	-	(173,614,531)	(222,983,051)	59,361,080	(49,368,520)	128 %	133 %
Surplus/(Deficit)	(17,221,540)	(5,990,538)	(23,212,078)	-		(23,212,078)	(60,208,553)		(36,996,475)	259 %	350 %

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital - N8	93,694,000	-	93,694,000	-		93,694,000	46,580,920		(47,113,080)	50 %	50 %
Surplus (Deficit) after capital transfers and contributions	76,472,460	(5,990,538)	70,481,922	-		70,481,922	(13,627,633)		(84,109,555)	(19)%	(18)%
Surplus/(Deficit) for the year	76,472,460	(5,990,538)	70,481,922	-		70,481,922	(13,627,633)		(84,109,555)	(19)%	(18)%
Capital expenditure and funds sources											
Total capital expenditure	(95,104,900)	1,383,850	(93,721,050)	-		(93,721,050)	(40,694,741)		53,026,309	43 %	43 %
Sources of capital funds											
Transfers recognised - capital	93,694,000	(1,421,450)	92,272,550	-		92,272,550	46,580,920		(45,691,630)	50 %	50 %
Internally generated funds	1,410,900	37,600	1,448,500	-		1,448,500	1,244,782		(203,718)	86 %	88 %
Total sources of capital funds	95,104,900	(1,383,850)	93,721,050	-		93,721,050	47,825,702		(45,895,348)	51 %	50 %

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	98,261,922	(10,636,490)	87,625,432	-		87,625,432	53,718,537		(33,906,895)	61 %	55 %
Net cash from (used) investing	(95,104,900)	1,383,850	(93,721,050)	-		(93,721,050)	(40,694,741)		53,026,309	43 %	43 %
Net cash from (used) financing	-	-	-	-		-	143,838		143,838	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	3,157,022	(9,252,640)	(6,095,618)	-		(6,095,618)	13,167,634		19,263,252	(216)%	417 %
Cash and cash equivalents at the beginning of the year	200,000	5,373,892	5,573,892	-		5,573,892	6,328,876		754,984	114 %	3,164 %
Cash and cash equivalents at year end	3,357,022	(3,878,748)	(521,726)	-		(521,726)	19,496,510		(20,018,236)	(3,737)%	581 %

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
---	---	----------------------------	--------------------------------

Significant variances are explained below:

N1 - The variance is due to inaccurate budgeting.

N2 - The variance is due to the implementation of a new mSCOA compliant financial system. Due to difficulties during the implementation consumer accounts were not sent out on time. A council resolution was taken to write back all interest charged on accounts from February 2017 to June 2017.

N3 - The variance in Other own revenue is mainly due to the implementation of the new traffic fines system from TMT. This lead to a significant increase in the traffic fines issued for the year, even more than the anticipated increase in the budgeted amount.

N4 - The variance is due to inaccurate budgeting in respect of the provision for impairment of trade and other receivables.

N5 - The variance in Finance Charges are due to inaccurate budgeting along with the high interest incurred on outstanding contributions to SALA Pension Fund and SAMWU Provident Fund.

N6 - The variance is due to inaccurate budgeting. As bulk purchases relates to electricity bulk purchases only, this amount is consolidated into the AFS of Mohokare Local Municipality based on the Trial balance received from CENTLEC SOC.

N7 - The favourable variance in terms of general expenditure can be attributed to the strict controls put into place by Mohokare Local Municipality on all non-priority spending.

N8 - Unfavourable variance due to te slow implementation of projects which has been funded through conditional government grants as well as spending controls put into place over own spending to eliminate non-priority spending.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on Financial Assets Classification and Accounting Policy 8.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The Accounting Policy on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- (a) changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- (b) the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- (c) if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 6% (2016: 6%) and discounted to the present value at the average long-term treasury bond rate which were adjusted for specific risk factors as stated below.

Rehabilitation on the Zastron site are to commence in 2017 and as a result the time value of money will have no effect and the provision will thus not be discounted.

	Matlakeng	Rouxville	Smithfield
Long term treasury bond rate	7.77 %	9.41 %	9.41 %
Adjusted for:			
Landfill site not fenced off	0.10 %	0.10 %	0.10 %
No weight bridge/ track kept of vehicles entering the site	0.35 %	0.35 %	0.35 %
No control over waste types	0.50 %	0.50 %	0.50 %
No traces of medical waste identified	(0.45)%	(0.45)%	(0.45)%
Surrounded by farms	0.25 %	0.25 %	0.25 %
	8.52 %	10.16 %	10.16 %

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via manual level meters, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir.

Defined Benefit Plan Liabilities

As described in the Accounting Policy on Employee Benefits, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 9 to the Annual Financial Statements.

Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements

Revenue Recognition

The Accounting Policy on Revenue from Exchange Transactions and the Accounting on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Useful lives of Property, Plant and Equipment and Intangible assets

As described in the Accounting Policies relating to assets, the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Impairment: Write down of Property, Plant and Equipment, Intangible assets, Heritage assets and Inventory

The Accounting Policy on PPE - Impairment of assets and the Accounting Policy on Intangible assets - Subsequent Measurement, Amortisation and Impairment and the Accounting Policy pertaining to Inventory - Subsequent measurement describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 Biological assets that form part of an agricultural activity

A biological asset is described as a living animal or plant which is under the control of the Municipality wherefore the fair value or cost can be determined reliably.

The entity recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

1.5 Investment property

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

1.6 Property, plant and equipment

Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.6 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding properties held for transfer, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition infrastructure are carried at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	20 - 100 years
Motor vehicles	Straight line	7 - 10 years
Office equipment	Straight line	4 - 7 years
Furniture and fittings	Straight line	4 - 7 years
Infrastructure - Electricity	Straight line	45 - 50 years
• Mini-sub	Straight line	45 years
• MV Power Transformer	Straight line	45 years
• MV Switch gear - circuit breaker	Straight line	45 years
• MV Switch gear - isolating link	Straight line	30 years
• Circuit breaker panel	Straight line	50 years
• Battery charger	Straight line	45 years

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.6 Property, plant and equipment (continued)

Infrastructure - Roads and paving	Straight line	10 - 50 years
• Road surface - Gravel	Straight line	10 years
• Road structural layer (access)	Straight line	25 - 40 years
• Road surface - Bituminous	Straight line	30 - 40 years
• Road structural layer - Collector	Straight line	50 years
• Road structural layer - Distributor	Straight line	30 years
• Road surface - Concrete block	Straight line	30 years
Water	Straight line	20 - 80 years
Sewerage	Straight line	40 - 80 years
Landfill Sites	Straight line	5 - 100 years
Community	Straight line	5 - 80 years
• Recreational facilities	Straight line	15 - 80 years
• Security	Straight Line	5 years
Bins and containers	Straight line	4 years
Specialised property, plant and equipment	Straight line	10 years

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity, or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

Land

Land is not depreciated as it is deemed to have an indefinite useful life.

Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

Site restoration and dismantling cost

The entity has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located and the obligation which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.6 Property, plant and equipment (continued)

if the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.7 Intangible assets (continued)

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 Heritage assets

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.8 Heritage assets (continued)

Derecognition of Heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

1.9 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value model and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Amortised Cost

The entity uses an appropriate interest rate, taking into account guidance provided in the standards, and applying professional judgement to the specific circumstances, to discount future cash flows. The entity used the following in arriving at the effective interest rate used:

Consideration 1 - Base rate used as starting point - Prime lending rate

Consideration 2 - Adjustments for industry risk - None

Consideration 3 - Adjustment for entity risk - None

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.9 Financial instruments (continued)

Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset:	Classification in terms of GRAP 104
Short term investment deposits	Financial Asset at amortised cost
Bank balances and cash	Financial Asset at amortised cost
Non-current investments	Financial Asset at fair value
Consumer debtors	Financial Asset at amortised cost
Other debtors	Financial Asset at amortised cost
Investments in fixed deposits	Financial Asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

Financial liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liability:	Classification in terms of GRAP 104
Long-term Liabilities (excluding Centlec Payable)	Financial Liability at amortised cost
Long-term Liabilities (Centlec Payable)	Financial Liability at cost
Other creditors	Financial Liability at amortised cost
Bank overdraft	Financial Liability at amortised cost
Short term loans	Financial Liability at amortised cost
Current portion of long term liabilities	Financial Liability at amortised cost

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.9 Financial instruments (continued)

Financial liabilities that are measured at fair value are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Initial and subsequent measurement

Financial assets

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

Financial liabilities

Financial liabilities measured at fair value:

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial liabilities measured at amortised cost:

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, including consumer deposits, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Impairment of financial assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.9 Financial instruments (continued)

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.10 Leases

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.11 Inventories

Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are measured at the lower of cost and the current replacement value as determined at year end.

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.12 Impairment of cash-generating assets

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.13 Impairment of non-cash-generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.14 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.14 Employee benefits (continued)

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after every 5 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.15 Provisions and contingencies

Provisions

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.16 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

1.17 Revenue from exchange transactions

General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in GRAP 1.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Rendering of services

Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Income from Agency Services

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable. Additional text

1.18 Revenue from non-exchange transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Traffic Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

Government Grants and receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when expenses are incurred to construct the items of property, plant and equipment.

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

1.19 Borrowing costs

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2017 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses it for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

1.20 Comparative figures

Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2016 to 30 June 2019.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.21 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Council will implement investigations on the unauthorised expenses. If a liable person has been identified and the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

1.22 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Council will implement investigations on the irregular expenses. If a liable person has been identified and the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Council will implement investigations on the irregular expenses. If a liable person has been identified and the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

1.24 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Related parties to management will be disclosed regardless if any transactions took place between the Municipality and the related parties. All transactions that took place between the Municipality and any related party will be disclosed in the financial statements at its monetary value.

1.25 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.26 Accumulated Surplus

Accumulated surplus is updated on a yearly basis with the net deficit or net loss, whichever is applicable for the financial period's results.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.27 Non-current Assets held for sale

Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated as the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

1.28 Grants-in-aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.29 Value added tax

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

1.30 Treatment of administration and other overhead expenses

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

2. Changes in accounting policy, estimates and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 35 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 36 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

Notes to the Annual Financial Statements

3. New standards and interpretations

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April 2018.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
4. Inventories		
Consumable stores	348,187	303,817
Spare parts	286,157	419,097
Water	12,192	40,213
	646,536	763,127
Inventories recognised as an expense during the year	368,527	391,223
The cost of water production for the year amounted to R4,55 per kilolitre (2016: R4,52 per kilolitre) in Zastron, R6,07 per kilolitre (2016: R9,62 per kilolitre) in Rouxville and R6,97 per kilolitre (2016: R5,11 per kilolitre) in Smithfield.		
No Inventories have been pledged as collateral for Liabilities of the municipality.		
5. Receivables from exchange transactions		
Gross Balances		
Electricity	4,891,848	2,807,440
Water	87,379,651	47,387,304
Sewerage	38,209,663	29,387,380
Refuse	9,626,152	21,744,458
Housing Rental	2,754,132	1,880,428
Other	516,733	61,520
	143,378,179	103,268,530
Less: Allowance for impairment		
Electricity	(1,194,913)	(350,507)
Water	(86,341,479)	(46,552,445)
Sewerage	(37,753,649)	(28,807,416)
Refuse	(9,507,487)	(21,563,745)
Housing Rental	(2,720,704)	(1,790,908)
Other	(510,436)	(55,588)
	(138,028,668)	(99,120,609)
Consumer debtors - Electricity	3,696,935	2,456,933
Consumer debtors - Water	1,038,172	834,859
Consumer debtors - Sewerage	456,014	579,964
Consumer debtors - Refuse	118,666	180,713
Consumer debtors - Housing Rental	33,428	89,519
Consumer debtors - Other	6,297	5,932
	5,349,512	4,147,920
Electricity		
Current: 0 - 30 Days	483,476	1,985,140
31 - 60 Days	281,331	182,556
61 - 90 Days	1,072,031	31,053
90 + Days	1,860,097	258,184
	3,696,935	2,456,933

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
5. Receivables from exchange transactions (continued)		
Water		
Current: 0 - 30 Days	44,810	289,271
31 - 60 Days	45,461	102,708
61 - 90 Days	48,878	160,779
90 + Days	899,023	282,101
	1,038,172	834,859
Sewerage		
Current: 0 - 30 Days	12,100	143,644
31 - 60 Days	11,848	82,399
61 - 90 Days	11,672	62,980
90 + Days	420,394	290,941
	456,014	579,964
Refuse		
Current: 0 - 30 Days	6,986	48,752
31 - 60 Days	7,459	28,918
61 - 90 Days	7,353	22,697
90 + Days	96,868	80,346
	118,666	180,713
Housing Rental		
Current: 0 - 30 Days	908	16,431
31 - 60 Days	885	14,537
61 - 90 Days	868	12,928
90 + Days	30,767	45,623
	33,428	89,519
Other		
Current: 0 - 30 Days	-	1,634
31 - 60 Days	-	1,488
61 - 90 Days	-	1,476
90 + Days	6,297	1,334
	6,297	5,932
Summary of Consumer Debtors by Customer Classification		
Household		
Current: 0 - 30 Days	4,289,256	2,756,456
31 - 60 Days	4,246,148	2,146,453
61 - 90 Days	4,645,854	2,756,126
90 + Days	106,433,237	76,741,653
Less: Allowance of impairment	(118,162,391)	(83,260,345)
	1,452,104	1,140,343
Industrial/ Commercial		
Current: 0 - 30 Days	610,153	1,961,746
31 - 60 Days	514,169	269,659
61 - 90 Days	1,692,793	371,904
90 + Days	6,767,515	4,650,704
Less: Allowance for impairment	(7,932,557)	(4,914,319)
	1,652,073	2,339,694

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
5. Receivables from exchange transactions (continued)		
National and Provincial Government		
Current: 0 - 30 Days	787,419	403,215
31 - 60 Days	629,131	237,888
61 - 90 Days	298,289	75,081
90 + Days	5,413,473	951,076
Less: Allowance for impairment	(4,967,115)	(1,057,072)
	2,161,197	610,188
Other Debtors		
Current: 0 - 30 Days	424,448	262,916
31 - 60 Days	529,264	292,520
61 - 90 Days	588,636	261,433
90 + Days	5,508,395	9,129,732
Less: Allowance for impairment	(6,966,605)	(9,888,906)
	84,138	57,695
Total		
Current: 0 - 30 Days	6,111,276	5,384,333
31 - 60 Days	5,918,712	2,946,520
61 - 90 Days	7,225,572	3,464,544
90 + Days	124,122,619	91,473,165
Less: Allowance for impairment	(138,028,668)	(99,120,642)
	5,349,511	4,147,920
Reconciliation of allowance for impairment		
Balance at beginning of the year	(99,120,672)	(76,199,137)
Contributions to allowance	(38,907,996)	(32,490,246)
Debt impairment written of against allowance	-	9,568,711
	(138,028,668)	(99,120,672)

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
6. Receivables from non-exchange transactions		
	2017	2016
Gross Balances		
Traffic Fines	29,992,555	11,813,190
Other Sundry Debtors	111,447	203,769
Consumer debtors - Rates	17,379,269	12,948,224
Levies	8,495,878	6,871,639
	55,979,149	31,836,822
Provision for Impairment		
Traffic Fines	(24,604,972)	(3,926,448)
Consumer debtors - Rates	(17,172,961)	(12,133,834)
Levies	(8,393,414)	(6,869,261)
	(50,171,347)	(22,929,543)
Fines	5,387,584	7,886,742
Other Sundry Debtors	111,447	203,769
Consumer debtors - Rates	206,309	814,390
Levies	102,463	2,378
	5,807,803	8,907,279

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

Receivables from non-exchange transactions past due but not impaired

The ageing of amounts past due but not impaired is as follows:

2017	Gross	Less: Provision	Total
Assessment Rates	Balances	for impairment	
Current: 0 - 30 Days	741,894	(733,131)	8,763
Past due: 31 - 60 Days	715,647	(707,015)	8,632
Past due: 61 - 90 Days	692,138	(683,790)	8,348
Past due: 90+ Days	15,229,590	(15,049,024)	180,566
	17,379,269	(17,172,960)	206,309
2017	Gross	Less: Provision	Total
Traffic fines	Balances	for impairment	
Current: 0 - 30 Days	6,300	(5,168)	1,132
Past due: 31 - 60 days	4,947,050	(4,058,408)	888,642
Past due: 61 - 90 days	4,208,400	(3,452,442)	755,958
Past due: 90+ days	20,830,805	(17,088,953)	3,741,852
	29,992,555	(24,604,971)	5,387,584
2017	Gross	Provision for	Total
Levies	Balances	impairment	
Current: 0 - 30 Days	22,410	(22,139)	270
Past due: 31 - 60 days	19,000	(18,771)	229
Past due: 61 - 90 days	18,848	(18,621)	227
Past due: 90 + days	8,435,620	(8,333,882)	101,738
	8,495,878	(8,393,413)	102,464

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

2017

2016

6. Receivables from non-exchange transactions (continued)

2016

Assessment Rates

Current: 0 - 30 Days

31 - 60 Days

61 - 90 Days

90 + Days

Gross Balances	Less: Provision for impairment	Total
367,193	(202,235)	164,958
41,833	(35,618)	6,215
48,205	(37,970)	10,235
12,490,993	(11,858,011)	632,982
12,948,224	(12,133,834)	814,390

2016

Traffic Fines

Current: 0 - 30 Days

31 - 60 Days

61 - 90 Days

90 + Days

Gross Balances	Less: Provision for impairment	Total
4,103,470	(1,419,165)	2,684,305
3,765,250	(1,209,873)	2,555,377
1,731,400	(565,731)	1,165,669
2,213,070	(731,679)	1,481,391
11,813,190	(3,926,448)	7,886,742

2016

Levies

Current: 0 - 30 Days

31 - 60 Days

61 - 90 Days

90 + Days

Gross Balances	Less: Provision for impairment	Total
27,689	(27,254)	435
27,384	(26,956)	428
27,187	(26,822)	365
6,789,379	(6,788,229)	1,150
6,871,639	(6,869,261)	2,378

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

6. Receivables from non-exchange transactions (continued)

Summary of Assessment Rates Debtors by Customer Classification

As at 30 June 2017	Household	Industrial/ Commercial	National and Provincial Government	Other	Total
Current					
0 - 30 Days	278,070	480,110	4,563	1,648	764,391
Past Due					
31 - 60 Days	265,298	460,282	4,563	4,408	734,551
61 - 90 Days	258,129	443,946	4,563	4,257	710,895
+ 90 Days	13,782,106	8,255,551	1,296,128	331,523	23,665,308
Subtotal	14,583,603	9,639,889	1,309,817	341,836	25,875,145
Less: Provision for Impairment	(14,409,575)	(9,524,855)	(1,294,188)	(337,757)	(25,566,375)
	174,028	115,034	15,629	4,079	308,770

As at 30 June 2016	Household	Industrial/ Commercial	National and Provincial Government	Other	Total
Current					
0 - 30 Days	189,510	78,539	8,952	2,187	279,188
Past Due					
31 - 60 Days	30,245	5,556	907	1,598	38,306
61 - 90 Days	31,433	11,977	1,075	1,590	46,075
90 + Days	9,715,149	7,552,941	886,905	1,301,299	19,456,294
Subtotal	9,966,337	7,649,013	897,839	1,306,674	19,819,863
Less: Provision for Impairment	(9,737,032)	(7,173,791)	(791,255)	(1,301,017)	(19,003,095)
	229,305	475,222	106,584	5,657	816,768

Reconciliation of Provision for Impairment

Assessment Rate and Levies Debtors

Balance at the beginning of the year	22,929,543	15,604,627
Impairment losses recognised	2,636,831	9,176,629
Amounts written off as uncollectable	-	(1,851,713)
	25,566,374	22,929,543

7. VAT receivable

VAT Payable	(6,574,890)	(1,813,977)
VAT Receivable	18,360,237	15,621,485
	11,785,347	13,807,508

Mohokare Local Municipality is registered as a Category C vendor for VAT purposes. This means that the Municipality is required to submit monthly VAT returns to the South African Revenue Services.

The municipality is registered on the payment basis, therefore input and output VAT is declared based on the cash flow of the Municipality.

Interest for late payments are charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	1,180	1,180
Bank balances	-	6,125,725
Short-term deposits	31,615,183	201,971
Bank overdraft	(12,119,853)	-
	19,496,510	6,328,876
Current assets	31,616,363	6,328,876
Current liabilities	(12,119,853)	-
	19,496,510	6,328,876

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments net of outstanding Bank Overdrafts.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA BANK - Cheque Account - Zastron Branch 405 265 4487	329,623	5,373,892	358,642	(7,476,860)	5,382,322	564,289
ABSA BANK - Savings Account - Zastron Branch 2810 000 018	160,427	199,741	901	(2,439,926)	201,441	901
STANDARD BANK - Cheque Account - Zastron Branch 041 952 776	599,897	113,656	139,097	460,071	133,656	139,097
FIRST NATIONAL BANK - Cheque Account - Zastron Branch 5359 3549 308	-	90,238	70,824	462,238	90,117	70,703
ABSA BANK - 32 Days Notice - 101 4355 924	108,798	103,916	99,988	108,798	103,916	99,988
ABSA BANK - 32 Days Notice - 6074 357 138	308	299	293	308	299	293
ABSA BANK - Call Account - 9074 133 593	661	918	1,124	661	918	1,124
ABSA BANK - Call Account - 9086 343 532	14,048,836	32,225	2,263	31,438,013	32,225	2,263
FIRST NATIONAL BANK - Call Deposit Account - 7235 900 4546	67,402	64,612	62,363	67,402	64,612	65,283
Cash Control Accounts	-	-	-	(3,125,375)	338,190	89,992
Petty Cash	-	-	-	1,180	1,180	1,180
Total	15,315,952	5,979,497	735,495	19,496,510	6,348,876	1,035,113

An amount of R 32 151 931 (2016: R5 243 911) is attributable to Unspent Conditional Grants.

A Pledge of R25 000 in favour of Eskom is held with First National Bank. A limited cession of R20 000 is held with ABSA Bank.

No Restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

9. Biological assets that form part of an agricultural activity

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Cattle	366,905	-	366,905	261,180	-	261,180
Horses	13,000	-	13,000	7,000	-	7,000
Total	379,905	-	379,905	268,180	-	268,180

Reconciliation of biological assets that form part of an agricultural activity - 2017

	Opening balance	Additions (calves born)	Losses during the year	Gains/Losses from changes in fair value	Total
Cattle	261,180	49,275	(49,275)	105,725	366,905
Horses	7,000	-	-	6,000	13,000
	268,180	49,275	(49,275)	111,725	379,905

Reconciliation of biological assets that form part of an agricultural activity - 2016

	Opening balance	Additions (calves born)	Losses during the year	Gains/Losses from changes in fair value	Total
Cattle	244,000	49,140	(43,680)	11,720	261,180
Horses	12,500	1,000	(7,500)	1,000	7,000
	256,500	50,140	(51,180)	12,720	268,180

Non - Financial information

All of the municipality's Biological Assets are held under freehold interests and no Biological Assets has been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Biological Assets of the municipality.

Quantities of each biological asset

	Cattle 2017	Horses 2017	Cattle 2016	Horses 2016
Opening balance	68	6	59	9
Acquisitions during the year	15	-	21	2
Losses during the year	(7)	-	(12)	(5)
Decrease due to consumption	(8)	-	-	-
	68	6	68	6

Biological Assets carried at fair value

The municipality's Biological Assets are valued annually at 30 June at fair value. The valuation, which conforms to international Valuation Standards is arrived at by reference to a market evidence of transaction prices for similar assets.

The following assumptions were used:

- Open market prices

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

10. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	22,176,665	-	22,176,665	22,176,665	-	22,176,665

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	22,176,665	22,176,665

Reconciliation of investment property - 2016

	Opening balance	Total
Investment property	22,176,665	22,176,665

All of the municipality's Investment Property is held under freehold interest and no Investment Property had been pledged as security for any liabilities of the municipality

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix B for more detail on Investment Property.

Investment Property carried at Fair value

The review of the valuation of investment properties were performed by DB Grobler a Professional Associated Valuer and Appraiser (Reg nr: 2311/3) from EMS Advisory during July 2017.

For the review of the values of Investment Properties, the average growth in the value of middle-segment homes in the South African residential property market and the ABSA house price indexes were used as indicators.

Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand 2017 2016

11. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	43,126,397	(26,143,255)	16,983,142	43,126,397	(25,535,357)	17,591,040
Infrastructure	824,859,617	(371,788,238)	453,071,379	792,640,808	(350,212,818)	442,427,990
Community	129,051,215	(78,779,974)	50,271,241	126,784,117	(76,669,515)	50,114,602
Movable Assets	14,922,896	(8,225,488)	6,697,408	15,158,732	(7,957,067)	7,201,665
Assets under Finance lease	2,136,119	(2,136,119)	-	2,136,119	(1,941,615)	194,504
Total	1,014,096,244	(487,073,074)	527,023,170	979,846,173	(462,316,372)	517,529,801

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers received	Revaluations	Depreciation	Impairment loss	Total
Buildings	17,591,040	-	-	-	-	(391,291)	(216,607)	16,983,142
Infrastructure	442,427,990	147,461	(874,837)	37,317,221	-	(23,226,085)	(2,720,371)	453,071,379
Community	50,114,602	-	(2,615)	2,132,738	194,517	(1,970,093)	(197,908)	50,271,241
Movable Assets	7,201,665	1,097,321	(384,760)	-	-	(1,214,588)	(2,230)	6,697,408
Assets under Finance lease	194,504	-	-	-	-	(194,504)	-	-
	517,529,801	1,244,782	(1,262,212)	39,449,959	194,517	(26,996,561)	(3,137,116)	527,023,170

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers received	Transfers	Revaluations	Depreciation	Impairment loss	Total
Buildings	16,786,850	1,116,281	(2,760)	-	-	-	(309,331)	-	17,591,040
Infrastructure	393,404,120	22,292,608	(735,843)	69,818,670	(19,242,008)	-	(23,109,557)	-	442,427,990
Community	52,241,968	4,976,841	-	1,505,493	(3,433,869)	(3,484,358)	(1,691,473)	-	50,114,602
Movable Assets	8,382,271	1,033,652	(643,282)	-	-	-	(1,434,861)	(136,115)	7,201,665
Assets under Finance lease	470,469	-	-	-	-	-	(275,965)	-	194,504
	471,285,678	29,419,382	(1,381,885)	71,324,163	(22,675,877)	(3,484,358)	(26,821,187)	(136,115)	517,529,801

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Total
Opening Balance	146,189,909	1,686,459	147,876,368
Additions/Capital Expenditure	37,317,221	2,132,738	39,449,959
	183,507,130	3,819,197	187,326,327

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Included within Community	Total
Opening Balance	95,613,247	3,614,835	99,228,082
Additions/Capital Expenditure	69,818,670	1,505,493	71,324,163
Transferred to Additions	(19,242,008)	(3,433,869)	(22,675,877)
	146,189,909	1,686,459	147,876,368

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

The following costs relating to Repairs and Maintenance were incurred by the municipality during the reporting period:

Electrical Infrastructure	2,289,831	952,226
Roads Infrastructure	134,120	433,049
Sanitation Infrastructure	166,785	-
Solid Waste Disposal	-	78,224
Water Supply Infrastructure	1,065,363	1,583,584
Community Assets	12,439	179,381
Other Assets	322,861	103,055
	3,991,399	3,329,519

Pledged as security

The municipality did not pledge any of its assets as security except for electricity assets as referred to in Note 18

Other information

Property, plant and equipment fully depreciated and still in use (Gross carrying amount)

Land and Buildings	119,912	802,142
Community Assets	8,063,181	10,181,214
Movable Assets	994,685	866,066
	9,177,778	11,849,422

Impairment of property, plant and equipment

Other Assets: Movables	3,137,116	136,115
------------------------	-----------	---------

The amount of R 3 137 116 (2016: R136 115) disclosed for impairment losses on Property, Plant and Equipment is in respect of the condition assessments on Movable Assets during the 2016/17 financial period.

Impairment losses on Property, Plant and Equipment exist predominantly due to an impaired item of Property, Plant and Equipment that has been physically damaged and has become redundant and idle.

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
12. Other financial assets		
Designated at fair value		
Local Authority Stock	340,979	351,628
Unlisted Investments comprise of the following: Local Authority Stock are shares held in OVK Operations Limited. 13 193 ordinary shares valued at R13.20 (2016: R13.57) per share and 13 731 holding shares valued at R12.15 (2016: R12.57) per share.		
The fair value of Investments was determined after considering the market value of the shares held with OVK.		
Non-current assets		
Designated at fair value	340,979	351,628
13. Other financial liabilities		
At amortised cost		
Government Loans	694,682	874,936
Government loans relate to a loan from the Development Bank of South Africa (DBSA). The loan is repayable in quarterly installments with the last payment to take place on 31 March 2020. The loan was negotiated at a fixed interest rate of 12,36%.		
Centlec Payable	26,516,043	23,570,114
The Centlec Payable relates to the amounts owed to Centlec in terms of services provided on behalf of the Municipality. This accounts for electricity bulk purchases, electricity sales on behalf of Mohokare Local Municipality, general expenditure incurred in the process of performing these duties as well as distribution losses. No contractual agreement regarding repayment terms interest rate applicable, maturity date has been agreed upon and based on past history there is no indication that Centlec will demand payment within the next 12 months.		
Other Loans (Centlec Capital Loans)	681,461	777,003
Centlec capital loans are repaid over a period of 20 years and at a 10% interest rate. Other loans are secured over assets used to produce electricity.		
	27,892,186	25,222,053
Total other financial liabilities	27,892,186	25,222,053
The amortised cost of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.		
Non-current liabilities		
At amortised cost	27,698,075	25,046,799
Current liabilities		
At amortised cost	194,111	175,254

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
14. Finance lease obligation		
Minimum lease payments due		
- within one year	149,225	207,965
- in second to fifth year inclusive	522,287	-
	671,512	207,965
less: future finance charges	(146,576)	(7,121)
Present value of minimum lease payments	524,936	200,844
Present value of minimum lease payments due		
- within one year	149,225	207,965
- in second to fifth year inclusive	522,287	-
- Less: future finance charges	(146,576)	(7,121)
	524,936	200,844
Non-current liabilities	429,983	-
Current liabilities	94,953	200,844
	524,936	200,844

Finance Leases relates to a mayoral vehicle purchased on a lease term of 5 years (60 months) with the last payment due in December 2021. Vehicles were purchased on lease terms of 3 years (36 months) which came to an end in the current financial year. The last repayment in respect of these vehicles was made in March 2017.

The effective interest rate on finance leases is 11.25% (2016: 9% and 10.7%).

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The municipality has finance lease agreements for the following significant classes of assets:

- Vehicles

	Average period outstanding	Average effective interest rate	Average monthly installment
ABSA Vehicle Financing (5 vehicles)			
2017	54 months	11.25 %	12,435
2016	9 months	9.25 %	23,239
		20.50 %	35,674

15. Consumer Deposits

Current liabilities	(818,351)	(814,120)
Electricity, Water and Other	818,351	814,120

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are refunded when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
16. Payables from exchange transactions		
Trade payables	33,077,648	38,222,464
Payments received in advance	4,841,517	4,917,051
Staff Salaries and Third Parties	41,539,024	33,666,254
Accrued leave pay	1,953,234	2,676,935
Accrued bonus	1,334,136	1,279,238
	82,745,559	80,761,942

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The average credit period on purchases should be 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of the receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality did default on payment of its Creditors. The Municipality have negotiated terms of payment with certain of its long outstanding trade creditors.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

17. Employee benefit obligations

Post-retirement Health Care Benefit Liability	1,784,000	1,923,400
Long Service Awards Liability	4,053,000	3,945,100
	5,837,000	5,868,500

Long Service Awards Liability

Balance at the beginning of the year	3,945,100	3,594,900
Contributions to provision	507,500	506,500
Increase due to discounting	370,400	318,500
Expenditure incurred	(422,200)	(234,300)
Actuarial (gains) / Losses	(347,800)	(240,500)
Balance at the end of the year	4,053,000	3,945,100
Transfer current portion to current liabilities	(515,100)	(507,200)
	3,537,900	3,437,900

The Municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long-service award is payable after 5 years of continuous service and every 5 years of continuous service thereafter. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr Gericke, of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

At year-end, 261 (2016: 273) employees were eligible for long-service awards.

The current service cost for the year ending 30 June 2017 is estimated to be R 515 100, whereas the cost for the ensuing year is estimated to be R422 200.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
17. Employee benefit obligations (continued)		
Post-retirement Health Care Benefits Liability		
Balance at beginning of the year	1,923,400	1,971,200
Interest Cost	178,100	172,300
Benefits Paid	(88,800)	(80,600)
Actuarial Profit	(228,700)	(139,500)
	1,784,000	1,923,400

The Municipality provides a post-employment medical scheme subsidy to two of its retired employees. The subsidy rate is 60% of the pensioners current medical aid premiums with a restriction of a maximum of R3 871 as at 30 June 2017.

The liability is currently unfunded and will, in the future, increase with the discount rate used to calculate the present value of the expected future cash flows. Unanticipated changes in the schemes' medical aid contributions will directly affect the liability.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
National: MWIG	19,877,389	5,726,654
National: MIG	11,342,688	(587,283)
COGTA Grant	358,043	358,043
National: RBIG	573,811	(253,503)
	32,151,931	5,243,911

Movement during the year

Balance at the beginning of the year	5,243,911	7,083,784
Additions during the year	130,785,940	141,376,458
Income recognition during the year	(103,877,920)	(143,216,331)
	32,151,931	5,243,911

See note 26 for reconciliation of grants from National/Provincial Government.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

19. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Interest	Change in discount factor	Total
Environmental rehabilitation	8,656,024	772,314	194,517	9,622,855

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Environmental rehabilitation	11,384,620	(2,728,596)	8,656,024

Environmental rehabilitation provision

In terms of the licencing of the landfill refuse site, the municipality will incur rehabilitation costs of R24.2 million to restore the sites at the end of its useful life, estimated to be in 2021 for the Matlakeng site, 2031 for the Rouxville and Smithfield sites and 2015 for the Zastron site. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate. The provision was arrived at taking the following main factors into account: location, macro- and micro-environment, soil conditions, topography and market conditions. The effective date of the valuation as performed by EMS Advisory is 30 June 2017.

20. Accumulated surplus

The Accumulated Surplus consists of the following internal funds and reserves:

Accumulated surplus (defecit)	433,896,505	447,513,590
-------------------------------	-------------	-------------

21. Service charges

Sale of electricity	30,014,989	24,787,686
Sale of water	23,927,237	13,975,662
Sewerage and sanitation charges	5,608,384	6,572,352
Refuse removal	7,394,939	4,175,795
Connection Fees	220,752	126,763
	67,166,301	49,638,258

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs. Connection Fees are in respect of once off connection charges.

22. Rental of facilities and equipment

Premises

Operating Lease Rental Investment Property	615,007	776,311
Rental Revenue from Buildings	94,818	269,573
Rental Revenue from Halls	26,296	25,645
	736,121	1,071,529

Facilities and equipment

Rental of facilities	91	271
	736,212	1,071,800

Rental revenue earned on Facilities and Equipment is in respect of non-financial assets rented out.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
23. Other income		
Building Plan Fees	15,870	4,912
Cemetery Fees	52,944	49,074
Commission on Collections	130,459	111,121
Rates Certificates	29,497	7,180
Sundry Income	120,635	414,407
Cattle Additions	-	50,140
	349,405	636,834

The amounts disclosed above for other revenue are in respect of services rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

24. Investment revenue

Dividend revenue

Unlisted financial assets - Local	9,505	9,955
-----------------------------------	-------	-------

Interest revenue

Bank	533,452	94,569
Interest charged on trade and other receivables	432,125	7,856,956
Investments	650,937	430,155
	1,616,514	8,381,680
Total Investment Revenue	1,626,019	8,391,635

25. Property rates

Rates received

Residential	3,902,638	3,840,842
Commercial	1,270,397	770,923
State	287,659	269,826
Municipal	36,671	-
Small holdings and farms	5,803,470	4,183,773
Rates Rebates	(888,296)	(2,162,452)
PBO's	8,952	-
PSI's	155	-
	10,421,646	6,902,912

Valuations

Property rates are levied on the value of land and improvements which valuation is performed every four years. The last valuation came into effect on 1 July 2015.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0.6649c/R (2015/16: R0.6273c/R)
Commercial Properties: 0.9008c/R (2015/16: R0.8498c/R)
State Properties: 0.3144c/R (2015/16: R0.2966c/R)
Agricultural Properties: 0.00106c/R (2015/16: R0.0010c/R)

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by Council on outstanding amounts.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
26. Government grants and subsidies		
Operating grants		
Equitable share	54,472,000	54,870,000
EPWP Grant	1,000,000	1,000,000
National: FMG	1,825,000	1,800,000
National: MSIG	-	930,000
LG SETA Training Grant	-	162,491
	57,297,000	58,762,491
Capital grants		
CENTLEC Electrification Grant	-	474,000
National: MIG	16,499,029	15,939,527
National: MWIG	12,368,265	4,547,654
National: RBIG	17,713,626	61,652,786
	46,580,920	82,613,967
	103,877,920	141,376,458

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

Equitable Share	54,472,000	54,870,000
-----------------	------------	------------

In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by COTGA the funds are also utilised to enable the municipality to execute its functions as the local authority. R3,746 million was withheld in the financial period ended 30 June 2017 in respect of conditional grant roll-overs applied for in previous financial years that was disallowed. An amount of R50,726 million was paid to Mohokare during the financial period ended 30 June 2017.

Water Services Infrastructure Grant (Previously MWIG)

Balance unspent at beginning of year	5,726,654	-
Roll-over withheld on Equitable share	(3,746,000)	-
Current-year receipts	30,265,000	15,000,000
Conditions met - transferred to revenue	(12,368,265)	(4,547,654)
Transfer portion of grant to RBIG	-	(4,725,692)
	19,877,389	5,726,654

This grant was received to facilitate the planning acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

Municipal Infrastructure Grant (Conditional)

Balance unspent at beginning of year	(587,283)	6,979,244
MIG withheld from Equitable Share	-	(7,184,000)
Current-year receipts	28,429,000	15,780,000
Conditions met - transferred to operational projects	(867,465)	(714,143)
Conditions met - transferred to capital projects	(15,631,564)	(15,448,384)
	11,342,688	(587,283)

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

26. Government grants and subsidies (continued)

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure.

COGTA Grant (Water pumps) Conditional

Balance unspent at beginning of year	358,043	358,043
--------------------------------------	---------	---------

A grant was received from COGTA for the purpose of assisting the Municipality with the replacement of old and redundant water pumps necessary for service delivery. No funds have been withheld.

Regional Bulk Infrastructure Grant (Conditional)

Balance unspent at beginning of year	(253,503)	(253,503)
Current-year receipts	18,540,940	56,927,093
Conditions met - transferred to revenue	(17,713,626)	(61,652,785)
Transfer received (MWIG Revenue)	-	4,725,692
	573,811	(253,503)

This grant was used for the operation and maintenance of sewerage and water schemes transferred from RBIG to the municipality and the refurbishment of water infrastructure.

FMG Grant (Conditional)

Current-year receipts	1,825,000	1,800,000
Conditions met - transferred to revenue	(1,825,000)	(1,800,000)
	-	-

The Financial Management grant is paid by National Treasury to Municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

Expanded Public Works (EPWP) Grant (Conditional)

Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
	-	-

This grant was received for the creation of job opportunities. No funds have been withheld.

MSIG Grant (Conditional)

Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
	-	-

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

LG SETA Training Grant (Unconditional)

Current-year receipts	-	162,491
Conditions met - transferred to revenue	-	(162,491)
	-	-

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

26. Government grants and subsidies (continued)

This grant was utilised for the training and schooling of staff. No funds have been withheld.

27. Public contributions and donations

Unconditional Contributions	3,645,893	4,009,457
-----------------------------	-----------	-----------

Public contributions and donations relates to the under more the following significant donations received by Mohokare Local Municipality:

National Treasury assisted Mohokare Local Municipality in settling the arrears on the outstanding account of the Auditor General of South Africa to the amount of R 2 545 278.81.

Free State Provincial Treasury assisted Mohokare Local Municipality with the appointment of a service provider to compile the Infrastructure Fixed Asset Register. Assistance received from Free State Provincial Treasury to assist with this appointment amounts to R 500 000.00.

A donation to assist with the payment of Mr Danie Marais, a consultant from the Office of the Premier to the value of R 600 000.00 was received from Free State Provincial Treasury.

28. Employee related costs

Basic	34,678,234	34,052,513
Bonus	3,087,615	2,967,425
Medical aid - company contributions	3,397,207	2,909,334
UIF	390,469	365,627
SDL	463,275	434,242
Other payroll levies	24,123	26,720
Contribution to leave provision	(265,961)	56,330
Defined contribution plans	6,272,917	5,929,462
Travel, motor car, accommodation, subsistence and other allowances	3,593,557	2,826,602
Overtime payments	3,074,292	3,160,058
Long-service awards	-	191,600
Housing benefits and allowances	697,058	695,800
Temporary Workers	1,061,981	1,027,873
	56,474,767	54,643,586

Remuneration of municipal manager - CT Panyani (1 July 2016 - 31 January 2017)

Annual Remuneration	376,185	646,733
Car Allowance	155,750	267,000
Performance Bonuses	129,725	-
Contributions to UIF, Medical and Pension Funds	107,312	177,156
Leave pay-out	150,286	-
	919,258	1,090,889

Remuneration of Chief Financial Officer

Annual Remuneration	783,998	783,998
Performance Bonuses	94,080	-
Contributions to UIF, Medical and Pension Funds	9,152	9,712
	887,230	793,710

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
28. Employee related costs (continued)		
Corporate Services Director/Acting Municipal Manager (1 May 2017 - 30 June 2017)		
Annual Remuneration	499,394	504,577
Car Allowance	150,000	150,000
Performance Bonuses	94,080	-
Contributions to UIF, Medical and Pension Funds	144,573	137,571
Acting Allowance (Municipal Manager)	89,000	-
	977,047	792,148
Community Services Manager		
Annual Remuneration	370,950	349,953
Car Allowance	90,000	72,000
Contributions to UIF, Medical and Pension Funds	129,779	113,307
Annual Bonus	30,913	29,163
Cellphone Allowance	6,000	2,000
	627,642	566,423
Technical Services Director		
Annual Remuneration	663,708	665,019
Acting Allowance	-	14,377
Performance Bonuses	94,080	-
Contributions to UIF, Medical and Pension Funds	129,248	127,153
	887,036	806,549
Total Employee costs		
Total Employee related costs	60,772,980	58,693,305
29. Remuneration of councillors		
Executive Major	615,052	444,153
Chief Whip	263,297	166,338
Councillors	2,017,434	1,627,137
Medical Aid Contributions	95,186	150,673
Pension Contributions	21,032	205,117
Motor vehicle allowance	160,935	407,703
Cell phone and other allowances	186,608	229,548
Housing allowance	12,593	151,115
Skills Development Levy	34,228	30,392
	3,406,365	3,412,176
In-kind benefits		

The Councillor occupying the positions of Mayor/Speaker of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a vehicle leased from the Government Garage for official duties.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
30. Depreciation and amortisation		
Buildings	391,291	309,331
Infrastructure	23,226,085	23,109,557
Community Assets	1,970,092	1,691,474
Movable Assets	1,214,588	1,434,861
Assets under finance leases	194,505	275,964
	26,996,561	26,821,187
31. Impairment of assets		
Impairments		
Property, plant and equipment	3,137,116	136,115
Impairment losses on Property, Plant and Equipment was recognised after indicators for impairment was identified at the reporting date. The assets impaired was either broken or redundant		
32. Finance costs		
DBSA Loan	92,782	117,847
Employee benefit obligations	548,500	490,800
Trade and other payables	5,483,951	7,647,115
Finance leases	41,429	30,778
Finance costs incurred by CENTLEC	77,700	87,255
Interest on Landfill Provision	772,315	755,761
	7,016,677	9,129,556
33. Impairment Losses		
Impairment Losses on Financial Assets		
Receivables from Exchange Transactions (exclusive of VAT)	37,638,054	27,150,051
Movement in provision for bad debt (Centlec)	1,194,913	13,788
Receivables from Non-exchange Transactions	6,563,279	4,137,617
Traffic Fines	20,678,523	5,039,012
	66,074,769	36,340,468
34. Bulk purchases		
Electricity	25,111,920	24,198,425
35. Contracted services		
Contracted services	5,312,107	2,640,595
Contracted Services consist of:		
Valuation Roll	187,330	136,842
Preparation of Fixed Asset Register	955,999	405,589
Irregular expenditure	-	875,001
Assistance on Financial System	274,534	580,116
Implementation of mSCOA	3,628,620	-
Other	265,624	643,047
	5,312,107	2,640,595

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
36. Transfers and subsidies		
Other subsidies		
Donations made towards students	2,700	-
37. General expenses		
Advertising	178,743	142,734
Auditors remuneration	3,398,085	4,641,897
Bank charges	287,536	195,414
Cleaning	20,084	189,002
Computer expenses	1,296,320	667,439
Consulting and professional fees	163,815	1,306,551
Consumables	368,527	391,223
Entertainment	38,432	25,876
Insurance	434,868	263,824
Magazines, books and periodicals	-	7,895
Medical expenses	69,120	3,098
Motor vehicle expenses	94,507	31,059
Fuel and oil	1,796,326	1,824,741
Postage and courier	243,014	291,771
Printing and stationery	400,208	617,353
Protective clothing	44,912	271,506
Subscriptions and membership fees	700,048	1,238,461
Telephone and fax	1,631,191	1,730,706
Transport and freight	9,128	-
Training	76,600	215,851
Travel - local	1,571,162	1,635,804
Electricity	4,018,126	3,527,219
Wellness	84,541	24,692
Cattle Feed	15,740	96,539
Electricity Network Charges	380,632	597,144
Special Programs	1,179,244	57,707
Chemicals	1,183,437	2,355,414
Other expenses	7,914	88,200
	19,692,260	22,439,120

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
38. Cash generated from operations		
(Deficit) surplus	(13,627,633)	34,387,654
Adjustments for:		
Depreciation and amortisation	26,996,562	26,821,187
Gain on sale of assets and liabilities	1,166,020	1,381,886
Decommissioning Costs	-	394,514
Impairment Losses on Property, Plant and Equipment	3,137,116	136,115
Fair value adjustments	10,648	(19,193)
Finance costs - Landfill site provision	772,315	755,761
Finance Costs - Employee benefit obligation	548,500	490,800
Cattle additions	(49,275)	(50,140)
Debt impairment	77,700	87,255
Impairment on Financial assets	66,074,769	36,340,468
Movement in Biological Assets	(111,725)	(23,720)
Actuarial gains and losses	(576,500)	(380,000)
Expenditure incurred by Centlec - non-cash	32,234,855	28,910,438
Finance costs - Landfill site provision	5,483,951	7,252,601
Donations on payables non-cash revenue	(2,545,279)	(3,507,457)
Interest charged on trade and other receivables	(432,125)	(7,856,956)
Sale of electricity by Centlec - non-cash	(30,619,745)	(26,018,836)
Changes in working capital:		
Receivables from exchange transactions	(38,728,653)	(16,956,707)
Inventories	116,591	1,881
Receivables from non-exchange transactions	(24,142,328)	(14,569,889)
Payables from exchange transactions	(1,002,630)	12,261,186
VAT	2,027,383	(324,844)
Unspent conditional grants and receipts	26,908,020	(1,839,873)
	53,718,537	77,674,131

39. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At fair value	At amortised cost	Total
Receivables from Exchange transactions - Electricity	-	3,696,935	3,696,935
Receivables from Exchange transactions - Water	-	1,038,172	1,038,172
Receivables from Exchange transactions - Sewerage	-	456,014	456,014
Receivables from Exchange transactions - Refuse	-	118,666	118,666
Receivables from Exchange transactions - Other	-	39,726	39,726
Receivables from Non-exchange transactions	-	5,807,803	5,807,803
Cash and cash equivalents - Call Deposits	-	31,615,183	31,615,183
Cash and cash equivalents - Cash floats and advances	-	1,180	1,180
Non-current Investments - Investment in OVK Shares	340,979	-	340,979
	340,979	42,773,679	43,114,658

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

39. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	At cost	Total
Government Loans	694,682	-	694,682
Centlec Payable	-	26,516,043	26,516,043
Other Loans	681,461	-	681,461
Trade and other payables from exchange transactions	33,077,648	-	33,077,648
Payments received in advance	4,841,517	-	4,841,517
Bank overdraft	12,119,853	-	12,119,853
Consumer Deposits	818,351	-	818,351
	52,233,512	26,516,043	78,749,555

2016

Financial assets

	At fair value	At amortised cost	Total
Receivables from Exchange transactions - Electricity	-	2,456,933	2,456,933
Receivables from Exchange transactions - Refuse	-	180,713	180,713
Receivables from Exchange transactions - Sewerage	-	579,964	579,964
Receivables from Exchange transactions - Water	-	834,859	834,859
Receivables from Exchange transactions - Other Receivables	-	5,932	5,932
Receivables from non-exchange transactions	-	8,907,279	8,907,279
Cash and Cash equivalents - Call Deposits	-	201,971	201,971
Cash and Cash equivalents - Bank Balances	-	6,125,725	6,125,725
Cash and Cash equivalents - Cash Floats and Advances	-	1,180	1,180
Non-Current Investments - Investment in OVK Shares	351,628	-	351,628
	351,628	19,294,556	19,646,184

Financial liabilities

	At amortised cost	At cost	Total
Government Loans	874,936	-	874,936
Centlec Payable	-	23,570,114	23,570,114
Other Loans	777,003	-	777,003
Trade and other payables from exchange transactions	37,915,552	-	37,915,552
Payments received in advance	4,917,051	-	4,917,051
Consumer Deposits	814,120	-	814,120
	45,298,662	23,570,114	68,868,776

Financial Assets pledged as security

A pledge of R25 000 in favour of Eskom is held with First National Bank.

A limited cession of R20 000 is held with ABSA Bank.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
40. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	47,696,965	66,645,109
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	57,900,608	29,024,810
Total capital commitments		
Already contracted for but not provided for	47,696,965	66,645,109
Not yet contracted for and authorised by accounting officer	57,900,608	29,024,810
	105,597,573	95,669,919

The figure disclosed for commitments above is inclusive of Value Added Tax (VAT).

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
41. Contingencies		
Unfair Dismissal Claims	361,234	361,234
Unfair dismissal claims have been issued against the Municipality. The claims are being handled by N.P. Vuyi Attorneys and Malherbe, Saayman, Smith Attorneys. The possible losses regarding these cases has been quantified.		
SALA Pension Fund:	-	-
A notice of motion has been issued against the Municipality in respect of the R 26 364 149 owed to SALA Pension Fund. The matter relates to long outstanding contributions (members' portion as well as council contributions) and interest charged on these amounts. The full amount is included in Note 12 under staff salaries and third parties. At 30 June 2017 the estimated outflow of funds relating to legal fees are R nil.		
SAMWU Provident Fund:	-	-
A notice of motion has been issued against the Municipality in respect of the R4 393 152 owed to SAMWU Provident Fund. The matter relates to long outstanding contributions (members' portion as well as council contributions) and interest charged on these amounts. The full amount is included in Note 12 under staff salaries and third parties. At 30 June 2017 the estimated outflow of funds relating to legal fees are R nil.		
ISA & Partners Engineers:	-	-
A notice of motion has been issued against the Municipality by ISA and Partners Engineers. This notice of motion has been issued against the municipality after the contract of the engineer was terminated due to the fact that they did not adhere to the to the terms of their appointment. The notice was issued in respect of invoices the engineer claims to be outstanding with corresponding interest levied on these invoices. This is matter is currently under investigation by the Municipality.		
Graves outside designated boundry lines of a Cemetery:	-	-
During August 2012 it came to the attention of the Municipality that graves were used outside the boundry lines of a Municipal Cemetery in Zastron. The area where the graves were used are inside an area where a possibility exist that water could be contained by the decaying bodies. The usage of this area as a cemetery has since been stopped and studies were performed to determine the extent of contamination done to water. The Municipality are awaiting results of these studies to determine the procedures to be implemented going forward.		
Johnny Bravo:	480,642	480,642
A dispute between the contractor and Mohokare Local Municipality is currently underway pertaining to outstanding retention fees. Negotiations are currently underway and the best estimate of managements' financial exposure is estimated as at 30 June 2017.		
	841,876	841,876

Contingent assets

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

42. Related parties

Relationships

Acting Municipal Manager/Director Corporate Services - LV Nqoko-Rametse	Info Com Biz Center & Sabbath Business Consultancy
Councillor - L Lekhula	Lekula Constructions
Councillor - IS Riddle	Nick's Place Guesthouse
Unit Manager Rouxville - MS Matamane	Leamo (Pty) Ltd
Local Economic Development Manager - NS Buyeye	Business (Zastron)

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

Please refer to note 29 for the disclosure of remuneration of Key Personnel and to note 30 for the disclosure of Councillors' remuneration.

Councillors' Consumer Accounts

Councillor Lekhula L	2,004	4,536
Councillor Riddle IS	1,862	877
Councillor Lephuting M	17,756	-
Councillor Lipholo LJ	62,803	-
Councillor Lobi BJ	25,979	-

Section 56 Managers' Consumer Accounts

Technical Services Director - MN Tsoamotse	3,846	6,397
--	-------	-------

During the year the municipality rendered services to related parties that are related to the municipality in the form of Rates, Services and Sundry charges which is in the normal flow of business.

The services rendered to related parties are charged at approved tariffs that were advertised to the public.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 56 personnel.

The municipality did not buy goods from any companies which can be considered to be related parties.

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans are receivable from Councillors, Management, Staff and the Public.

43. Prior period errors

The correction of the error(s) results in adjustments as follows:

Accumulated Surplus

Balance as published at 30 June 2016	-	440,166,052
Property, Plant and equipment	-	6,270,957
Payables from exchange transactions - SAMWU Provident Fund	-	1,383,493
Payables from exchange transactions - Trade Payables	-	(306,912)
Restated Balance	-	447,513,590

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

43. Prior period errors (continued)

Property, Plant and Equipment - N1

	Carrying value per signed 2015/16 AFS	Adjustments made to Opening Balances	Adjustments made to Accumulated Depreciation	Adjusted Carrying value
Buildings Assets	16,474,759	4,463,542	(3,347,261)	17,591,040
Infrastructure Assets	439,377,390	7,417,119	(4,366,519)	442,427,990
Community Assets	48,571,630	1,408,049	134,924	50,114,603
Movable Assets	6,640,561	1,129,090	(567,987)	7,201,664
Assets under Finance Lease	194,504	-	-	194,504
	511,258,844	14,417,800	(8,146,843)	517,529,801

Payables from Exchange Transactions - SAMWU Provident Fund - N2

	Balance per signed 2015/16 AFS	Adjustment to closing balance per statement from SAMWU	Adjusted Balance
SAMWU Provident Fund	(7,535,749)	1,383,493	(6,152,256)

Payables from Exchange Transactions - Trade Payables - N3

	Balance per signed 2015/16 AFS	Adjustment due to PY movements	Adjusted Balance
Trade Payables	(37,915,522)	(306,912)	(38,222,434)

N1 - Property, Plant and equipment was restated due to changes in the values of certain assets when a condition assessment of assets was performed during the months of July and August 2017.

N2 - The correction to opening balance of the SAMWU Provident Fund payable was due to a revised statement issued by the Fund.

N3 - The net movement in the trade and other payables balance relates to expenditures that should have been included in the prior financial year.

44. Comparative figures

Certain comparative figures have been reclassified.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

45. Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

The Corporate Treasury function reports quarterly to the municipality's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

30 June 2017

	Less than 1 year	Between one and two years	Between two to five years	Over five years
Other financial liabilities (Borrowings)	194,111	197,491	303,080	-
Payables from exchange transactions	33,077,649	-	-	-
Centlec Payable	26,516,043	-	-	-
	59,787,803	197,491	303,080	-

30 June 2016

	Less than one year	Between one and two years	Between two and five years	Over five years
Other financial liabilities (Borrowings)	175,254	197,941	501,741	-
Payables from exchange transactions	38,222,464	-	-	-
Centlec Payable	23,570,114	-	-	-
	61,967,832	197,941	501,741	-

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

45. Risk management (continued)

Credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

45. Risk management (continued)

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures risk.

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes

Financial assets and liabilities that are sensitive to interest rate risk are investments and loan payables. The municipality is exposed to interest rate risk on these financial instruments as the rates applicable are floating interest rates.

Potential concentrations of interest rate risk consist mainly of consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment and discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/discounting, where applicable.

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

46. Going concern

Management considered the following matters relating to the Going Concern:

- (i) On 30 May 2017 the Council adopted the 2017/18 to 2019/20 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.
- (ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms will be closely monitored and the necessary corrective actions instituted.
- (v) The municipality's cash management was under pressure during the 2016/17 financial period due to an amount of R3,75 million being withheld from the Equitable share receivable. The funds were withheld due to Municipal Water Infrastructure Grants (Conditional) that were not utilised in the past. Irrespective of the pressure that this has placed on the Municipality, they still managed to have a positive bank balance at the end of 2016/17.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

47. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2016.

48. Unauthorised expenditure

Opening Balance	151,632,945	118,999,476
Unauthorised expenditure - Current year	59,361,080	32,633,469
	210,994,025	151,632,945

The unauthorised expenditure is based on the differences between budgeted amounts and actual expenditures per unit. No incidents were noticed where payments were made by unauthorised personnel. The major contributor relates to the Impairment of debtors that was not fully budgeted for, interest charges in respect of non-payment of outstanding trade and salary creditors and contracted services which was not fully budgeted for.

49. Fruitless and wasteful expenditure

Opening Balance	6,860,987	12,668,841
Fruitless and wasteful expenditure - Current year	5,351,478	7,756,520
Less: Amounts written off	-	(13,564,374)
	12,212,465	6,860,987

Fruitless and wasteful expenditure for the year includes interest on overdue accounts and fines and penalties levied by SARS on the late payment of employee related taxes.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

50. Irregular expenditure

Opening balance	15,225,097	118,915,022
Add: Irregular Expenditure - current year	1,120,499	13,513,256
Less: Amounts written off	-	(117,203,181)
	16,345,596	15,225,097

The full extent of irregular expenditure relating to the 2015/16 financial year is still under investigation.

Details of irregular expenditure – current year

-

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1,900,981	1,498,368
Current year subscription / fee	641,885	606,208
Amount paid - current year	(310,368)	(200,000)
Credit note issued	-	(3,595)
Interest Charges	19,681	-
	2,252,179	1,900,981

Audit fees

Opening balance	3,898,764	3,769,523
Current year audit fee	5,368,373	5,166,702
Interest Charges	371,554	499,963
Credit Note	(1,526,861)	-
Amount paid - previous years	(2,050,578)	(2,029,967)
Donations received towards audit fees	(2,545,279)	(3,507,457)
	3,515,973	3,898,764

PAYE and UIF

Opening balance	1,539,164	1,620,307
Current year payroll deductions	7,404,836	6,658,417
Amount paid - current year	(4,244,610)	(4,105,896)
Amount paid - previous years	(1,585,969)	-
Penalties and interest	583,753	654,046
Offset to VAT receivable	-	(3,287,710)
	3,697,174	1,539,164

Pension and Medical Aid Deductions

Opening balance	30,103,691	20,552,604
Current year subscription / fee	15,586,917	14,810,594
Amount paid - current year	(5,452,491)	(6,367,422)
Amount paid - previous years	(7,060,162)	(5,280,889)
Interest accrual	4,269,052	6,388,804
	37,447,007	30,103,691

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

51. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	12,268,243	13,807,508
----------------	------------	------------

VAT output payables and VAT input receivables are shown in note 13.

All VAT returns have been submitted throughout the year.

Councillors' arrear consumer accounts

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2017

	Highest outstanding amount	Aging (in days)
Councillor L Lekhula	1,295	90
Councillor M Lephuting	16,226	90
Councillor LJ Lipholo	60,643	90
Councillor BJ Lobi	24,532	90
Councillor IS Riddle	476	90
	103,172	450

30 June 2016

	Highest outstanding amount	Aging (in days)
Councillor L Lekhula	3,836	90

Bulk Electricity and Water Losses in terms of Section 125(2)(d)(i) of the MFMA

Electricity Losses

	Purchased during the year (kWh)	Sold during the year (kWh)	Unaccounted losses (kWh)	Unit rate per kWh lost	Loss (R)
2017	20 517 257	-14 720 957	5 796 300	1,22	7,198,627
2016	20 516 583	-15 318 910	5 197 673	1,20	6,255,536
					13,454,163

Electricity losses occur due to inter alia, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Water Losses

	Units (KI)	Value per unit	Value of loss (R)
2017	418 949	7,80	3 268 847
2016	828 167	4,85	4 024 892

Water losses occur due to inter alia leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

52. Multi-employer Retirement Benefit Information

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

Certain councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R7 110,3 (30 June 2009: R6 303,7) million, with funding levels of 96,0% (30 June 2009: 96,0%). The contribution rate paid by the members (8,6%) and Council (20,78%) is sufficient to fund the benefits accruing from the fund in the future.

SAMWU Pension Fund

No details could be provided for the fund and of any valuation performed.

The contribution rate paid by the members (7,50%) and Council (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

53. Budget differences

Material differences between budget and actual amounts

Statement of Financial Position:

A1 - The variance is due to incorrect budgeting. Due to the cash flow constraints the municipality is currently experiencing, lower stock levels are kept.

A2 - This variance is due to inaccurate budgeting. The high rate of debt impairment was not taken into account. This can also be seen in the underbudgeting for the impairment expense on the statement of financial performance.

A3 - This variance is due to inaccurate budgeting. The high rate of debt impairment was not taken into account. This can also be seen in the underbudgeting for the impairment expense on the statement of financial performance.

A4 - The variance is due to inaccurate budgeting.

Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

53. Budget differences (continued)

A5 - This variance was due to prudent budgeting principles taken into account when budgeting for the cash and cash equivalents balance at year end. This low budget was influenced by past events of the Municipality as well as the Municipality having cash flow constraints. The high closing balance is influenced by the high amount of unspent conditional grants.

A6 - This variance is due to the fair value increase of biological assets as the market price for cattle has significantly increased during the financial year.

A7 - This variance is due to incorrect budgeting. The high allocation of capital grants for the 2016/17 financial year was not fully taken into account when the PPE amount was budgeted for.

A8 - This variance is due to incorrect budgeting.

A9 - The variance in Payables from Exchange Transactions are influenced mainly by the Municipality experiencing severe cash flow constraints. The main contributing factors are the increase in the outstanding amounts to salary related creditors (SALA Pension Fund and SAMWU Provident Fund) along with the Municipality's inability to repay creditors within the 30 days after the invoice date.

A10 - The variance in terms of employee benefit obligations are due to inaccurate budgeting.

A11 - The variance in unspent conditional grants and receipts are due to the fact that spending on capital projects did not take place as anticipated.

A12 - The variance is due to timing differences between the GL and bank statement. Although the General Ledger bank balance closed in an overdraft, the bank balance as at 30 June 2017 was positive.

A13 - The variance is due to the CENTLEC SOC payable which arises from the consolidation of the figures pertaining to Mohokare Local Municipality. As the Municipality has no control over these amounts, accurate budgeting is problem.

A14 - This difference is due to the change in the interest rate and DMR rates to be used in the calculation of the rehabilitation for landfill sites provision.

Appendix A

June 2017

Schedule of external loans as at 30 June 2017

Loan Number	Redeemable	Balance at 30 June 2016	Increase in loan/interest charged for the period	Redeemed during the period	Balance at 30 June 2017	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
DBSA Loan	1	2016	874,936	93,678	273,932	694,682	-
			874,936	93,678	273,932	694,682	-
Bonds							
Other loans							
Centlec Capital Loans	40021201 to 40027483	2024	777,003	-	95,542	681,461	-
			777,003	-	95,542	681,461	-
Lease liability							
Finance Lease Liabilities		2021	200,844	606,466	282,375	524,935	-
			200,844	606,466	282,375	524,935	-
Annuity loans							
Government loans							
Total external loans							
Development Bank of South Africa			874,936	93,678	273,932	694,682	-
Other loans			777,003	-	95,542	681,461	-
Lease liability			200,844	606,466	282,375	524,935	-
			1,852,783	700,144	651,849	1,901,078	-

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in Progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Buildings														
Building property - housing	10,018,938	-	-	-	-	-	10,018,938	(7,485,410)	-	-	(117,780)	(202,201)	(7,805,391)	2,213,547
Building property - Operational Buildings	23,597,021	-	-	-	-	-	23,597,021	(18,049,948)	-	-	(273,511)	(14,406)	(18,337,865)	5,259,156
Land - Housing	9,393,791	-	-	-	-	-	9,393,791	-	-	-	-	-	-	9,393,791
Land - Operational Buildings	116,647	-	-	-	-	-	116,647	-	-	-	-	-	-	116,647
	43,126,397	-	-	-	-	-	43,126,397	(25,535,358)	-	-	(391,291)	(216,607)	(26,143,256)	16,983,141
Infrastructure														
Electricity - LV Network	83,177,140	-	(1,831)	-	-	-	83,175,309	(40,686,108)	687	-	(4,925,719)	(69,125)	(45,680,265)	37,495,044
Electricity - MV Network	12,075,631	-	(15,244)	-	-	-	12,060,387	(6,195,873)	5,590	-	(358,419)	(100,984)	(6,649,686)	5,410,701
Road and Stormwater - Stormwater	42,648,861	-	(180,351)	-	-	-	42,468,510	(14,939,206)	141,146	-	(474,483)	(39,505)	(15,312,048)	27,156,462
Roads and Stormwater - Traffic Management	562,313	-	(6,216)	-	-	-	556,097	(261,575)	5,883	-	(32,237)	(233)	(288,162)	267,935
Roads and Stormwater - Road Structures	150,442,317	-	(1,069,912)	-	10,141,014	-	159,513,419	(90,493,868)	848,604	-	(8,484,113)	(1,240,323)	(99,369,700)	60,143,719
Sanitation - Buildings and external facilities	230,923	-	-	-	-	-	230,923	(130,145)	-	-	(7,279)	-	(137,424)	93,499
Sanitation - Collection/Reticulation Network	117,473,824	-	-	-	-	-	117,473,824	(65,687,836)	-	-	(2,349,627)	-	(68,037,463)	49,436,361
Sanitation - Sewer pump station	7,483,857	-	(36,566)	-	-	-	7,447,291	(3,473,018)	22,811	-	(337,860)	(35,511)	(3,823,578)	3,623,713
Sanitation - Waste water treatment	63,630,998	-	(784,333)	-	1,438,146	-	64,284,811	(17,485,924)	668,488	-	(1,284,768)	(609,188)	(18,711,392)	45,573,419
Water - Boreholes	2,728,279	-	(580,708)	-	903,400	-	3,050,971	(1,143,025)	478,946	-	(82,154)	-	(746,233)	2,304,738
Water - Bulk Distribution	82,497,888	-	-	-	20,038,777	-	102,536,665	(4,467,747)	-	-	(127,650)	-	(4,595,397)	97,941,268
Water - Dam	1,093,477	-	-	-	-	-	1,093,477	(649,340)	-	-	(23,964)	-	(673,304)	420,173
Water - Distribution/Reticulation Network	109,249,597	-	-	-	-	-	109,249,597	(61,768,735)	-	-	(2,473,834)	-	(64,242,569)	45,007,028
Water - Storage	22,017,236	107,794	(652,713)	-	-	-	21,472,317	(13,626,222)	612,051	-	(556,161)	-	(13,570,332)	7,901,985
Water - Pump Station	12,790,663	39,667	(1,292,259)	-	-	-	11,538,071	(8,925,964)	1,214,263	-	(497,494)	(74,198)	(8,283,393)	3,254,678
Water - Treatment	84,636,882	-	(625,742)	-	4,795,884	-	88,807,024	(20,278,232)	372,568	-	(1,210,323)	(551,304)	(21,667,291)	67,139,733
	792,739,886	147,461	(5,245,875)	-	37,317,221	-	824,958,693	(350,212,818)	4,371,037	-	(23,226,085)	(2,720,371)	(371,788,237)	453,170,456
Community Assets														
Buildings - Community facilities	56,650,687	-	(60,157)	-	1,324,512	-	57,915,042	(37,031,777)	57,541	-	(1,138,793)	(117,685)	(38,230,714)	19,684,328
Buildings - Sports and recreation facilities	58,378,677	-	-	-	808,226	-	59,186,903	(39,876,744)	-	-	(673,824)	(80,223)	(40,630,791)	18,556,112
Land - Community Facilities	2,011,913	-	-	-	-	-	2,011,913	-	-	-	-	-	-	2,011,913
Land - Sport and recreational facilities	8,007,582	-	-	-	-	-	8,007,582	-	-	-	-	-	-	8,007,582
Solid Waste - Landfill Site	5,082,518	194,517	-	-	-	-	5,277,035	(3,108,254)	-	-	(256,551)	-	(3,364,805)	1,912,230
	130,131,377	194,517	(60,157)	-	2,132,738	-	132,398,475	(80,016,775)	57,541	-	(2,069,168)	(197,908)	(82,226,310)	50,172,165

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation						Accumulated depreciation							
------------------	--	--	--	--	--	--------------------------	--	--	--	--	--	--	--

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in Progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Movable assets (incl. assets under finance lease)														
Leased Assets - Office Equipment	1,358,101	-	-	-	-	-	1,358,101	(1,358,101)	-	-	-	-	(1,358,101)	-
Leased Assets - Motor Vehicles	778,019	-	-	-	-	-	778,019	(583,515)	-	-	(194,504)	-	(778,019)	-
Emergency equipment/ Rescue equipment	177,196	-	(51,006)	-	-	-	126,190	(124,651)	37,756	-	(11,041)	-	(97,936)	28,254
Fire fighting equipment/ Fire hoses	33,140	-	(6,864)	-	-	-	26,276	(21,886)	4,292	-	(2,496)	-	(20,090)	6,186
Furniture & Fittings	2,444,379	9,088	(413,193)	-	-	-	2,040,274	(1,732,128)	316,750	-	(164,192)	(129)	(1,579,699)	460,575
Motor Vehicles	5,309,489	704,984	-	-	-	-	6,014,473	(1,878,326)	-	-	(250,125)	-	(2,128,451)	3,886,022
Office Equipment	4,193,437	383,249	(486,824)	-	-	-	4,089,862	(2,446,304)	315,509	-	(498,952)	(375)	(2,630,122)	1,459,740
Plant and Equipment	3,001,091	-	(375,271)	-	-	-	2,625,820	(1,753,772)	274,092	-	(287,783)	(1,726)	(1,769,189)	856,631
	17,294,852	1,097,321	(1,333,158)	-	-	-	17,059,015	(9,898,683)	948,399	-	(1,409,093)	(2,230)	(10,361,607)	6,697,408

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in Progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Buildings	43,126,397	-	-	-	-	-	43,126,397	(25,535,358)	-	-	(391,291)	(216,607)	(26,143,256)	16,983,141
Infrastructure	792,739,886	147,461	(5,245,875)	-	37,317,221	-	824,958,693	(350,212,818)	4,371,037	-	(23,226,085)	(2,720,371)	(371,788,237)	453,170,456
Community Assets	130,131,377	194,517	(60,157)	-	2,132,738	-	132,398,475	(80,016,775)	57,541	-	(2,069,168)	(197,908)	(82,226,310)	50,172,165
Movable assets (incl. assets under finance lease)	17,294,852	1,097,321	(1,333,158)	-	-	-	17,059,015	(9,898,683)	948,399	-	(1,409,093)	(2,230)	(10,361,607)	6,697,408
	983,292,512	1,439,299	(6,639,190)	-	39,449,959	-	1,017,542,580	(465,663,634)	5,376,977	-	(27,095,637)	(3,137,116)	(490,519,410)	527,023,170
Investment properties														
Improved Property	6,040,020	-	-	-	-	-	6,040,020	-	-	-	-	-	-	6,040,020
Unimproved Property	16,136,645	-	-	-	-	-	16,136,645	-	-	-	-	-	-	16,136,645
	22,176,665	-	-	-	-	-	22,176,665	-	-	-	-	-	-	22,176,665
Total														
Buildings	43,126,397	-	-	-	-	-	43,126,397	(25,535,358)	-	-	(391,291)	(216,607)	(26,143,256)	16,983,141
Infrastructure	792,739,886	147,461	(5,245,875)	-	37,317,221	-	824,958,693	(350,212,818)	4,371,037	-	(23,226,085)	(2,720,371)	(371,788,237)	453,170,456
Community Assets	130,131,377	194,517	(60,157)	-	2,132,738	-	132,398,475	(80,016,775)	57,541	-	(2,069,168)	(197,908)	(82,226,310)	50,172,165
Movable assets (incl. assets under finance lease)	17,294,852	1,097,321	(1,333,158)	-	-	-	17,059,015	(9,898,683)	948,399	-	(1,409,093)	(2,230)	(10,361,607)	6,697,408
Investment properties	22,176,665	-	-	-	-	-	22,176,665	-	-	-	-	-	-	22,176,665
	1,005,469,177	1,439,299	(6,639,190)	-	39,449,959	-	1,039,719,245	(465,663,634)	5,376,977	-	(27,095,637)	(3,137,116)	(490,519,410)	549,199,835

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Buildings														
Building property - Housing	10,018,938	-	-	-	-	-	10,018,938	(7,367,558)	-	-	(117,851)	-	(7,485,409)	2,533,529
Building property - Operational Buildings	23,597,021	-	-	-	-	-	23,597,021	(17,759,391)	-	-	(290,557)	-	(18,049,948)	5,547,073
Land - Housing	9,393,791	-	-	-	-	-	9,393,791	-	-	-	-	-	-	9,393,791
Land - Operational Buildings	116,647	-	-	-	-	-	116,647	-	-	-	-	-	-	116,647
	43,126,397	-	-	-	-	-	43,126,397	(25,126,949)	-	-	(408,408)	-	(25,535,357)	17,591,040
Infrastructure														
Electricity - LV Network	78,873,321	4,303,820	-	-	-	-	83,177,141	(35,760,389)	-	-	(4,925,719)	-	(40,686,108)	42,491,033
Electricity - MV Network	12,075,631	-	-	-	-	-	12,075,631	(5,837,454)	-	-	(358,419)	-	(6,195,873)	5,879,758
Roads and Stormwater - Stormwater	28,628,002	-	-	-	14,179,904	(159,045)	42,648,861	(14,552,591)	90,519	-	(477,133)	-	(14,939,205)	27,709,656
Roads and Stormwater - Traffic Management	562,313	-	-	-	-	-	562,313	(229,282)	-	-	(32,293)	-	(261,575)	300,738
Roads and Stormwater - Road Structures	134,481,936	14,938,168	2,459,240	-	-	(1,437,047)	150,442,297	(82,764,329)	769,731	-	(8,499,269)	-	(90,493,867)	59,948,430
Sanitation - Buildings and External Facilities	230,923	-	-	-	-	-	230,923	(122,866)	-	-	(7,279)	-	(130,145)	100,778
Sanitation - Collection/ Reticulation Network	117,473,824	-	-	-	-	-	117,473,824	(63,338,208)	-	-	(2,349,628)	-	(65,687,836)	51,785,988
Sanitation - Sewer Pump Station	7,483,857	-	-	-	-	-	7,483,857	(3,126,966)	-	-	(346,052)	-	(3,473,018)	4,010,839
Sanitation - Waste Water Treatment	55,293,081	-	-	-	8,337,917	-	63,630,998	(16,199,636)	-	-	(1,286,287)	-	(17,485,923)	46,145,075
Water - Boreholes	1,575,615	-	-	-	1,152,664	-	2,728,279	(1,052,946)	-	-	(90,080)	-	(1,143,026)	1,585,253
Water - Bulk Distribution	31,117,616	-	-	-	51,380,272	-	82,497,888	(4,340,097)	-	-	(127,650)	-	(4,467,747)	78,030,141
Water - Dam	1,093,476	-	-	-	-	-	1,093,476	(625,376)	-	-	(23,964)	-	(649,340)	444,136
Water - Distribution/ Reticulation Network	109,249,597	-	-	-	-	-	109,249,597	(59,294,901)	-	-	(2,473,834)	-	(61,768,735)	47,480,862
Water - Storage/ Water Pump Station	34,807,919	-	-	-	-	-	34,807,919	(21,372,224)	-	-	(1,179,963)	-	(22,552,187)	12,255,732
Water - Water Treatment	80,825,014	-	-	-	3,811,867	-	84,636,881	(18,931,701)	-	-	(1,346,532)	-	(20,278,233)	64,358,648
	693,772,125	19,241,988	2,459,240	-	78,862,624	(1,596,092)	792,739,885	(327,548,966)	860,250	-	(23,524,102)	-	(350,212,818)	442,527,067
Community Assets														
Buildings - Community Facilities	53,216,818	-	-	-	-	-	53,216,818	(35,856,393)	-	-	(1,175,385)	-	(37,031,778)	16,185,040
Buildings - Sports and Recreational Facilities	57,569,411	3,433,869	-	-	809,267	-	61,812,547	(39,185,225)	-	-	(691,519)	-	(39,876,744)	21,935,803
Land - Community Facilities	2,011,913	-	-	-	-	-	2,011,913	-	-	-	-	-	-	2,011,913
Land - Sports and Recreational Facilities	8,007,582	-	-	-	-	-	8,007,582	-	-	-	-	-	-	8,007,582
Solid Waste - Landfill Sites	5,082,518	-	-	-	-	-	5,082,518	(2,926,539)	-	-	(181,715)	-	(3,108,254)	1,974,264
	125,888,242	3,433,869	-	-	809,267	-	130,131,378	(77,968,157)	-	-	(2,048,619)	-	(80,016,776)	50,114,602

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation						Accumulated depreciation							
------------------	--	--	--	--	--	--------------------------	--	--	--	--	--	--	--

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Movable assets (incl. assets under finance lease)														
Leased Assets - Office Equipment	1,358,101	-	-	-	-	-	1,358,101	(1,341,478)	-	-	(16,623)	-	(1,358,101)	-
Leased Assets - Motor Vehicles	778,019	-	-	-	-	-	778,019	(324,175)	-	-	(259,340)	-	(583,515)	194,504
Emergency /Rescue Equipment	178,146	4,050	(5,000)	-	-	-	177,196	(105,296)	4,275	-	(17,617)	(6,013)	(124,651)	52,545
Fire Fighting Equipment/ Fire Hoses	32,502	3,050	(2,412)	-	-	-	33,140	(20,764)	1,957	-	(3,079)	-	(21,886)	11,254
Furniture and Fittings	2,708,444	6,980	(271,045)	-	-	-	2,444,379	(1,722,301)	194,188	-	(196,955)	(7,061)	(1,732,129)	712,250
Motor Vehicles	5,353,689	-	(44,200)	-	-	-	5,309,489	(1,543,815)	6,136	-	(244,635)	(96,011)	(1,878,325)	3,431,164
Office Equipment	4,167,627	363,117	(337,306)	-	-	-	4,193,438	(2,013,239)	199,769	-	(621,201)	(11,634)	(2,446,305)	1,747,133
Plant and Equipment	3,105,787	95,351	(200,047)	-	-	-	3,001,091	(1,514,363)	135,337	-	(359,350)	(15,396)	(1,753,772)	1,247,319
	17,682,315	472,548	(860,010)	-	-	-	17,294,853	(8,585,431)	541,662	-	(1,718,800)	(136,115)	(9,898,684)	7,396,169

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Buildings	43,126,397	-	-	-	-	-	43,126,397	(25,126,949)	-	-	(408,408)	-	(25,535,357)	17,591,040
Infrastructure	693,772,125	19,241,988	2,459,240	-	78,862,624	(1,596,092)	792,739,885	(327,548,966)	860,250	-	(23,524,102)	-	(350,212,818)	442,527,067
Community Assets	125,888,242	3,433,869	-	-	809,267	-	130,131,378	(77,968,157)	-	-	(2,048,619)	-	(80,016,776)	50,114,602
Movable assets (incl. assets under finance lease)	17,682,315	472,548	(860,010)	-	-	-	17,294,853	(8,585,431)	541,662	-	(1,718,800)	(136,115)	(9,898,684)	7,396,169
	880,469,079	23,148,405	1,599,230	-	79,671,891	(1,596,092)	983,292,513	(439,229,503)	1,401,912	-	(27,699,929)	(136,115)	(465,663,635)	517,628,878
Investment properties														
Improved Property	6,040,020	-	-	-	-	-	6,040,020	-	-	-	-	-	-	6,040,020
Unimproved Property	16,136,645	-	-	-	-	-	16,136,645	-	-	-	-	-	-	16,136,645
	22,176,665	-	-	-	-	-	22,176,665	-	-	-	-	-	-	22,176,665
Total														
Buildings	43,126,397	-	-	-	-	-	43,126,397	(25,126,949)	-	-	(408,408)	-	(25,535,357)	17,591,040
Infrastructure	693,772,125	19,241,988	2,459,240	-	78,862,624	(1,596,092)	792,739,885	(327,548,966)	860,250	-	(23,524,102)	-	(350,212,818)	442,527,067
Community Assets	125,888,242	3,433,869	-	-	809,267	-	130,131,378	(77,968,157)	-	-	(2,048,619)	-	(80,016,776)	50,114,602
Movable assets (incl. assets under finance lease)	17,682,315	472,548	(860,010)	-	-	-	17,294,853	(8,585,431)	541,662	-	(1,718,800)	(136,115)	(9,898,684)	7,396,169
Investment properties	22,176,665	-	-	-	-	-	22,176,665	-	-	-	-	-	-	22,176,665
	902,645,744	23,148,405	1,599,230	-	79,671,891	(1,596,092)	1,005,469,178	(439,229,503)	1,401,912	-	(27,699,929)	(136,115)	(465,663,635)	539,805,543

Appendix C

June 2017

Segmental analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation

Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in Progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Additions Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	1,011,096	186,608	(179,809)	-	-	-	1,017,895	(641,548)	118,173	-	(85,449)	-	(608,824)	409,071
Finance & Admin/Finance	33,729,318	863,090	(613,741)	-	-	-	33,978,667	(24,083,512)	408,422	-	(1,184,784)	-	(24,859,874)	9,118,793
Planning and Development/Economic Development/Plan	51,211	280	(15,781)	-	-	-	35,710	(31,265)	8,889	-	(4,950)	-	(27,326)	8,384
Comm. & Social/Libraries and archives	47,857,527	16,974	(173,259)	-	3,139,337	-	50,840,579	(31,795,857)	151,544	-	(903,430)	-	(32,547,743)	18,292,836
Housing	19,474,270	12,949	(26,878)	-	-	-	19,460,341	(7,524,441)	20,953	-	(326,020)	-	(7,829,508)	11,630,833
Public Safety/Police	301,136	-	(72,116)	-	-	-	229,020	(194,811)	60,620	-	(13,837)	-	(148,028)	80,992
Sport and Recreation	72,451,304	8,263	(125,300)	-	-	-	72,334,267	(42,173,681)	107,057	-	(1,060,656)	-	(43,127,280)	29,206,987
Waste Water Management/Sewerage	174,985,750	203,674	(978,098)	-	21,380,225	-	195,591,551	(89,135,944)	799,068	-	(4,983,696)	-	(93,320,572)	102,270,979
Road Transport/Roads	190,622,991	-	(1,259,473)	-	14,179,904	-	203,543,422	(106,284,126)	996,085	-	(10,283,564)	-	(115,571,605)	87,971,817
Water/Water Distribution	188,296,685	147,460	(3,177,656)	-	148,626,861	-	333,893,350	(108,742,349)	2,699,889	-	(5,397,415)	-	(111,439,875)	222,453,475
Electricity /Electricity Distribution	103,188,517	-	(17,075)	-	-	-	103,171,442	(51,708,839)	6,276	-	(5,889,876)	-	(57,592,439)	45,579,003
	831,969,805	1,439,298	(6,639,186)	-	187,326,327	-	1,014,096,244	(462,316,373)	5,376,976	-	(30,133,677)	-	(487,073,074)	527,023,170
Total														
Municipality	831,969,805	1,439,298	(6,639,186)	-	187,326,327	-	1,014,096,244	(462,316,373)	5,376,976	-	(30,133,677)	-	(487,073,074)	527,023,170
	831,969,805	1,439,298	(6,639,186)	-	187,326,327	-	1,014,096,244	(462,316,373)	5,376,976	-	(30,133,677)	-	(487,073,074)	527,023,170

Appendix D

June 2017

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
1,852,911	9,505,385	(7,652,474)	Executive & Council/Mayor and Council	3,271,827	7,390,532	(4,118,705)
51,645,662	65,142,711	(13,497,049)	Finance & Admin/Finance	32,893,681	104,676,398	(71,782,717)
470,416	3,561,471	(3,091,055)	Planning and Development/Economic Development/Plan	2,505,565	6,981,226	(4,475,661)
2,057,678	6,268,535	(4,210,857)	Comm. & Social/Libraries and archives	16,548,192	13,391,201	3,156,991
902,024	814,837	87,187	Housing	879,385	733,357	146,028
11,930,032	1,304,749	10,625,283	Public Safety/Police	22,321,268	1,068,098	21,253,170
18,952,739	3,020,280	15,932,459	Sport and Recreation	1,994,686	462,386	1,532,300
34,952,266	28,921,818	6,030,448	Waste Water Management/Sewerage	10,716,094	8,151,656	2,564,438
4,795,060	6,844,782	(2,049,722)	Road Transport/Roads	19,215,933	3,609,985	15,605,948
92,044,917	22,579,865	69,465,052	Water/Water Distribution	59,519,388	22,115,913	37,403,475
5,288,024	34,425,267	(29,137,243)	Electricity /Electricity Distribution	39,489,399	54,402,299	(14,912,900)
224,891,729	182,389,700	42,502,029		209,355,418	222,983,051	(13,627,633)
Municipal Owned Entities Other charges						
224,891,729	182,389,700	42,502,029	Municipality	209,355,418	222,983,051	(13,627,633)
224,891,729	182,389,700	42,502,029	Total	209,355,418	222,983,051	(13,627,633)

Appendix E(1)

June 2017

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2017

	Forecast # 1 2017 Act. Bal.	Forecast # 1 2017 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand		
Revenue					
Property rates	10,421,646	7,076,566	3,345,080	47.3	Inaccurate budgeting
Service charges	67,166,301	58,244,133	8,922,168	15.3	Inaccurate budgeting
Rental of facilities and equipment	736,212	842,520	(106,308)	(12.6)	Inaccurate budgeting
Licences and permits	1,557	1,483	74	5.0	
Transfers recognised - operational	57,297,000	57,297,000	-	-	
Other income - (rollup)	71,418,458	20,376,820	51,041,638	250.5	Inaccurate budgeting
Interest received - investment	1,616,514	6,552,988	(4,936,474)	(75.3)	Inaccurate budgeting
Dividends received	9,505	10,942	(1,437)	(13.1)	Inaccurate budgeting
	208,667,193	150,402,452	58,264,741	38.7	
Expenses					
Personnel	(60,772,980)	(62,315,201)	1,542,221	(2.5)	
Remuneration of councillors	(3,406,365)	(3,825,755)	419,390	(11.0)	Inaccurate budgeting.
Depreciation	(30,133,678)	(29,848,543)	(285,135)	1.0	
Finance costs	(7,016,677)	(2,297,195)	(4,719,482)	205.4	Inaccurate budgeting- high interest incurred on outstanding SALA Pension Fund and SAMWU Provident Fund balances.
Debt Impairment	(66,074,769)	(14,699,763)	(51,375,006)	349.5	Inaccurate budgeting. Did not foresee such a low payment rate.
Repairs and maintenance - General	(3,991,399)	(5,513,919)	1,522,520	(27.6)	Favourable variance - elimination of all non-priority spending due to cash flow constraints.
Bulk purchases	(25,111,920)	(22,208,256)	(2,903,664)	13.1	Inaccurate budgeting.
Contracted Services	(5,312,107)	(310,000)	(5,002,107)	613.6	Inaccurate budgeting
General Expenses	(19,986,488)	(32,595,899)	12,609,411	(38.7)	Favourable variance - elimination of all non-priority spending due to cash flow constraints.
	(221,806,383)	(173,614,531)	(48,191,852)	27.8	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(1,166,020)	-	(1,166,020)	-	
Fair value adjustments	677,577	-	677,577	-	
	(488,443)	-	(488,443)	-	
Net surplus/ (deficit) for the year	(13,627,633)	(23,212,079)	9,584,446	(41.3)	

Appendix E(2)

June 2017

Budget Analysis of Capital Expenditure as at 30 June 2017

	Additions	Revised	Variance	Variance	Explanation of significant
	Rand	Budget	Rand	%	variances from budget
		Rand			
Municipality					
Executive & Council/Mayor and Council	720	740	20	3	
Finance & Admin/Finance	377	708	331	47	The Municipality experienced cash flow constraints hence only critical assets funded by internally generated funds were procured.
Comm. & Social/Libraries and archives	1,325	2,082	757	36	Slower spending on capital projects than anticipated.
Sport and Recreation	808	11,000	10,192	93	Slower spending on capital projects than anticipated.
Waste Water Management/Sewerage	1,438	1,489	51	3	
Road Transport/Roads	10,141	12,437	2,296	18	Slower spending on capital projects than anticipated.
Water/Water Distribution	25,885	65,265	39,380	60	Slower spending on capital projects than anticipated.
	40,694	93,721	53,027	57	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2017

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jul	Dec	Mar			Sep	Dec	Mar	Jun		Jun	Sep	Dec	Mar	Jun			
Equitable Share	National Treasury	22,697	20,903	10,872	-	-	12,682	16,426	12,682	12,682	-	-	-	-	-	-		Yes	
FMG	National Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
WSIG	National Treasury	1,825	-	-	-	-	159	366	969	331	-	-	-	-	-	-		Yes	
MIG Projects	MIG	9,079	15,133	6,053	-	-	3,857	6,888	-	1,623	-	-	-	-	-	-		Yes	
Bulk Infrastructure	DWAF	8,848	8,967	10,614	-	-	5,583	3,158	2,132	5,627	-	-	-	-	-	-		Yes	
		-	8,175	10,366	-	-	-	8,175	9,555	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
EPWP	Provincial Treasury	250	-	750	-	-	186	124	3	694	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		42,699	53,178	38,655	-	-	22,467	35,137	25,341	20,957	-	-	-	-	-	-			